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**Statement
Of
Anthem Blue Cross and Blue Shield
On
HB 6355 An Act Requiring Pure Community Rating for Health Insurance For Small
Employers**

Good afternoon Senator Crisco, Representative Fontana and members of the Insurance Committee, my name is Christine Cappiello and I am the Director of Government Relations for Anthem Blue Cross and Blue Shield in Connecticut. I am here today to speak on **HB 6355 An Act Requiring Pure Community Rating for Health Insurance For Small Employers**.

We believe the goal of this legislation is an important one; to make health insurance more affordable for small businesses. There are more than 100,000 small employers in Connecticut and this segment of the insurance marketplace perhaps faces the greatest challenges in trying to provide affordable health insurance to their employees because they are subject to all of the insurance regulations, including all benefits mandates, as oppose to larger employers who have the choice of being self-insured.

As this committee is aware, in the early 1990s, the Connecticut General Assembly enacted sweeping legislation establishing Small Group Reform. This legislation was in reaction to the great swings in pricing that small employers were experiencing. The foundation of this legislation is uniform rating methodologies and characteristics which are in place to provide much needed stability in the small group market by spreading similar risk across the entire marketplace. There is also a reinsurance mechanism that provides further stability to the small employer market place which has worked very well for the more than 15 years it has been in existence. In fact, the Small Group Reform law and the reinsurance pool have often been used as models for other states.

By removing the age and gender "case classifications" from the current small group market statutes, the stability in that marketplace is threatened. Rate bands are an effective way of attracting healthy groups into the small group market and removing rate bands will result in higher premiums and fewer insured.

By way of example, two states, New York and Kentucky, passed legislation establishing pure community rating in their small group market.

New York:

New York implemented community rating in 1993. Data collected by the New York Insurance Department show a reduction of 23,571 people from the small group insurance market. **"A considerable number of younger enrollees apparently dropped out of the New York health insurance market after community rating was implemented. About 30 percent of small group enrollees experienced considerable premium increases in one year (20 percent or more), and the number of people experiencing premium decreases was probably smaller than the number experiencing premium increases."**

Marsteller, Jill A., and Nichols, Len. 1998. *"Variations in the Uninsured: State- and County-Level Analyses,"* Washington DC: Urban Institute Press.

Kentucky:

"The changes made in each legislative session of the Kentucky General Assembly throughout the 1990s would have dramatic consequences for good and not so good." In 1998, **"people also started seeing large rate increases, for a number of reasons, as follows: Rates were now based on modified community rating and not actual claims experience."**

"Thirty-one carriers left the Kentucky market in 1995 and all were licensed to write health coverage. The carriers covered 29,067 lives previous to their departure from the market."

Governor Patton, Paul E., Secretary Ronald McCloud, Public Protection and Regulation Cabinet, and Commissioner George Nichols III, Kentucky Department of Insurance. *Health Insurance Reform in the 1990s: A Kentucky Historical Perspective.*

In summary, removing or modifying the case classifications in the Small Group insurance market will do little more than shift the risk and bring that the instability that these employers cannot whether; especially in these difficult economic times. Connecticut should be proud of the landmark legislation it passed and thousand of Connecticut citizens obtained and continue to obtain insurance because of the stability that this legislation has brought about.

Thank you for your time and attention and I welcome any questions you might have.